

AR46

File

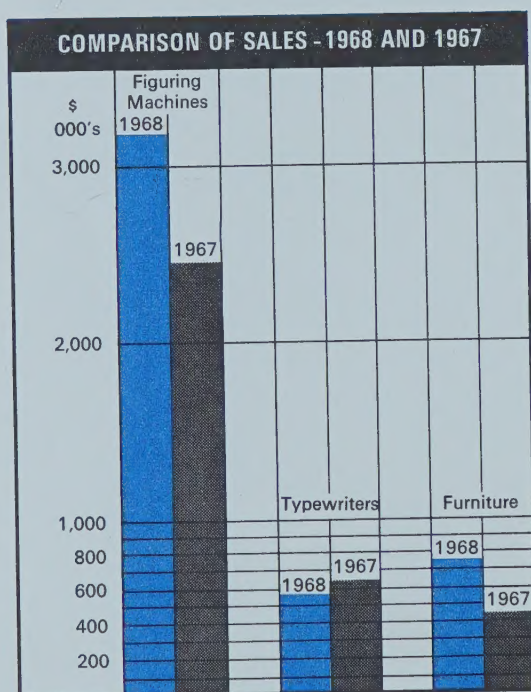
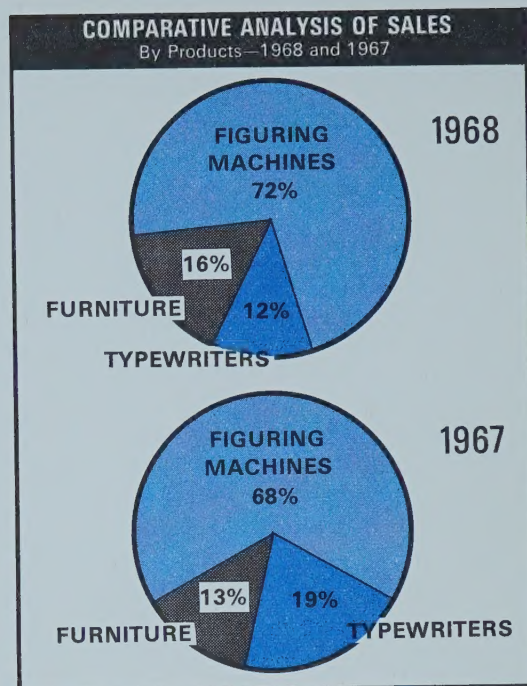


commodore





# Highlights





# COMMODORE BUSINESS MACHINES (CANADA) LIMITED

## *Directors*

Irving Gould, *Toronto, Ontario*  
David M. Perlmutter, *C.A., Toronto, Ontario*  
Thomas McGourty, *Aptos, Calif.*  
Jack Tramiel, *Toronto, Ontario*

## *Officers*

Irving Gould, *Chairman of the Board*  
Jack Tramiel, *President*  
Thomas McGourty, *Vice-President, Manufacturing*  
David M. Perlmutter, *C.A., Secretary*  
Si Friend, *Treasurer*  
Frederick S. Draper, *Assistant Secretary*

## *Head Office*

946 Warden Avenue, Scarborough, Ontario

## *Other Offices*

### **Commodore Business Machines Inc.**

31 East 32nd Street,  
New York, New York 10016, U.S.A.

660 Dubuque Avenue,  
South San Francisco, California 94080, U.S.A.

7065 West Belmont Avenue,  
Chicago, Illinois 60634, U.S.A.

### **Commodore S.A.**

57 Avenue de Champel,  
1211 Geneva, Switzerland

### **Commodore International Limited,**

P.O. Box 4852, Bolam House,  
Nassau, Bahamas

## *Transfer Agent and Registrar*

Canada Permanent Trust Company, *Toronto, Montreal*

## *Auditors*

Arthur Andersen & Co., *Toronto, Ontario*

## *Counsel*

Davies, Ward & Beck, *Toronto, Ontario*

## *Shares Listed*

Canadian Stock Exchange, *Montreal*

## To the Shareholders:



Model AL1000



Model 1161



Model 1152P

Your directors are pleased to report that the company's re-organization program, started in 1967 and completed early in 1968, has resulted in benefits which we are now beginning to enjoy.

Consolidated net sales of Commodore Business Machines (Canada) Limited and subsidiaries, for the year ended June 30, 1968, were \$4,475,552 as compared to \$3,334,787 in 1967, an increase of over 34% for the period. Net income for the year ended June 30, 1968, was \$200,898 (18¢ per common share), including extraordinary credits of \$59,547. This compares to a net loss for the year ended June 30, 1967, of \$224,306, including extraordinary expenses of \$65,304.

The consolidated statements of income for the years ended June 30, 1967 (as restated) and 1968 reflect, as described in Note 1 to the consolidated financial statements, the disposition or discontinuance of certain operations formerly carried on by the Commodore group.

Working capital increased by \$405,224 to total \$1,795,757 on June 30, 1968. Full details of results of operations are provided in the financial statements forming part of this report.

Despite the fact that Commodore is a small company operating in a highly competitive field, its products are gaining widespread acceptance in markets on both sides of the Atlantic, as indicated by steadily increasing sales.

Your management is especially proud that Commodore's entry, in January of this year, into the electronic calculator market has

proved a success. Our highly advanced model AL1000, which can be programmed to do the simplest or the most complex calculations, is already being used by many major corporations and institutions in Canada and the United States. By moving a lever, the AL1000 can be made to perform as a small computer, capable of accepting a 30-step program. Programming is effected by code numbers which enter the machine through the keyboard, a method unsurpassed in its simplicity.

Sales of Commodore adding machines, offered in two models, are moving well and the demand for our new standard multiplier, model 401, introduced in January, 1968, is well above projections.

Your directors are particularly encouraged by the favourable reception Commodore's adding machines have been accorded in the European markets.

As you are undoubtedly aware, all the adding and calculating machines are designed by your company's research and development division; they are built by a highly skilled and specialized manufacturing organization in Japan.

The steel office furniture, manufactured in our own Scarborough plant in Canada, is selling substantially better than projected. The product range has been increased by the introduction of a new series of full-suspension filing cabinets and desks.

### New Commodore Products for 1968-69

Your directors are convinced that the field of electronic calculators offers rich opportunities for ex-



# COMMODORE BUSINESS MACHINES (CANADA) LIMITED

pansion and growth. In order to maintain the momentum of sales and your company's lead in this field, three new IC (integrated circuitry) electronic calculators will be added shortly to Commodore's range. These will be models 1121, 1161, and 1152P, the latter being an electronic two-register machine with print-out.

Another new product, which will be introduced this year, is a printing calculator, model 403, which will perform four arithmetic functions: addition, subtraction, multiplication and division. This model has been developed by our research division over the past two years.

## Corporate and Business Developments

During the year ended June 30, 1968, your directors sold the operating assets and business of Commodore's subsidiary, Associated Tool and Manufacturing Company Limited, and discontinued operations of Pearlsound Distributors Limited. This will enable the company's resources to be concentrated on the office equipment business, which the directors believe offers greatest potential in growth and profits.

A new office was opened in San Francisco during 1968 and arrangements are now being made to transfer the headquarters of Commodore's U.S. operations from New York to this locality. San Francisco is a convenient port for shipments from Japan and our new office has become a focal point of the company's distribution system in the U.S. The use of San Francisco as port of entry has resulted in considerable freight savings and greater efficiency in distribution. Another operation established there recently is the Commodore service

centre and spare parts depot. This facility will further strengthen your company's sales potential in the Western U.S.

Similarly, Commodore's research and development division, previously located in Norfolk, Connecticut, was moved to a new location in Aptos, California.

Mr. Manfred Kapp, a director and officer of the company, left our organization in July, 1968. Your board of directors accepted his resignation with sincere regret.

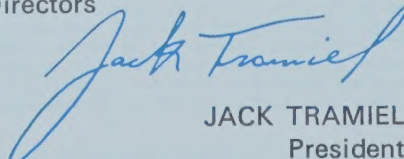
Due to Commodore's international character, your management considered it necessary to appoint Messrs. Arthur Andersen & Co. as auditors. They succeed Messrs. Rose and Harrison, whom your directors wish to thank for their past efforts and co-operation.

The year 1968 marks the tenth anniversary of Commodore's corporate existence and your directors are looking with confidence and optimism towards the future. Ours is an exciting and challenging industry and we aim to meet this challenge successfully and profitably.

The directors join me in extending thanks and appreciation to our employees for their continued efforts which have been instrumental in the success we have achieved to date.

We also wish to express management's appreciation to our suppliers for their co-operation and to our many valued customers throughout the world for their support and continued confidence in Commodore products.

On behalf of the Board of Directors

  
JACK TRAMIEL  
President

October 18, 1968



Model 403





**COMMODORE BUSINESS MACHINES (CANADA) LIMITED**  
and its wholly-owned Subsidiaries

# Consolidated Balance Sheets

June 30, 1968 and 1967

## ASSETS

	<u>1968</u>	<u>1967</u> (Note 3)
<b>CURRENT ASSETS:</b>		
Cash - - - - -	\$ 84,422	\$ 127,065
Time deposits (Note 4) - - - - -	435,750	162,000
Accounts receivable —		
Trade (Note 5) - - - - -	1,207,823	438,952
Other - - - - -	259,748	62,246
Income taxes recoverable (Note 6) - - - - -	171,740	157,668
Inventory, at the lower of cost (first-in, first-out) or net realizable value -	1,216,363	946,583
Prepaid expenses - - - - -	25,510	36,242
<b>Total current assets - - - - -</b>	<u><b>\$3,401,356</b></u>	<u><b>\$1,930,756</b></u>
 <b>PLANT AND EQUIPMENT, at cost (Note 7):</b>		
Land and building - - - - -	\$ 2,692	\$ 146,367
Tools, equipment and leasehold improvements - - - - -	439,861	628,030
	<u>\$ 442,553</u>	<u>\$ 774,397</u>
Less — Accumulated depreciation and amortization - - - - -	186,032	362,871
	<u><b>\$ 256,521</b></u>	<u><b>\$ 411,526</b></u>
 <b>OTHER ASSETS:</b>		
Manufacturing rights, development expenses, patents, trade marks, goodwill, etc. - - - - -	\$ 1	\$ 1
	<u><b>\$3,657,878</b></u>	<u><b>\$2,342,283</b></u>

To the Shareholders of  
Commodore Business Machines (Canada) Limited:

We have examined the consolidated balance sheet of COMMODORE BUSINESS MACHINES (CANADA) LIMITED (an Ontario corporation) AND ITS WHOLLY-OWNED SUBSIDIARIES as of June 30, 1968, and the related consolidated statements of income, surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as of June 30, 1968, and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in consolidation practice referred to in Note 1 to the financial statements.

October 10, 1968

ARTHUR ANDERSEN & CO.  
Chartered Accountants



**COMMODORE BUSINESS MACHINES (CANADA) LIMITED**  
and its wholly-owned Subsidiaries

## LIABILITIES

	<u>1968</u>	<u>1967</u> (Note 3)
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities (Note 4) - - - - -	\$ 879,050	\$ 405,515
Advances from finance companies — secured (Note 5) - - - - -	601,438	74,317
Mortgages and liens payable — current portion - - - - -	—	13,040
Income taxes payable (Note 6) - - - - -	125,111	47,351
Total current liabilities - - - - -	<u>\$1,605,599</u>	<u>\$ 540,223</u>
<b>LONG-TERM LIABILITIES:</b>		
Mortgages and liens payable - - - - -	<u>\$ —</u>	<u>\$ 75,016</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock —		
Preferred —		
Authorized 100,000 redeemable, convertible 6% cumulative shares of \$10 par value		
Common —		
Authorized 3,000,000 shares of no par value; issued 1,123,831 <sup>5</sup> / <sub>20</sub> in 1968, and 1,042,681 <sup>5</sup> / <sub>20</sub> in 1967 (Note 8) - - - - -	<u>\$1,477,229</u>	<u>\$1,352,892</u>
Surplus —		
Retained earnings - - - - -	\$ 329,882	\$ 65,823
Contributed surplus - - - - -	245,168	245,168
Appraisal surplus - - - - -	—	63,161
	<u>\$ 575,050</u>	<u>\$ 374,152</u>
	<u>\$2,052,279</u>	<u>\$1,727,044</u>
	<u>\$3,657,878</u>	<u>\$2,342,283</u>

Approved on behalf of the board:

Irving Gould, Director

Jack Tramiel, Director

*The accompanying notes to financial statements form an integral part of these balance sheets.*

**COMMODORE BUSINESS MACHINES (CANADA) LIMITED**  
and its wholly-owned Subsidiaries

## Consolidated Statements of Income

for the years ended June 30, 1968 and 1967

	<u>1968</u>	<u>1967</u> (Note 3)
<b>NET SALES</b> (Note 9) - - - - -	\$4,475,552	\$3,334,787
 <b>COST OF GOODS SOLD</b> - - - - -	 3,154,403	 2,541,223
Gross profit - - - - -	<u>\$1,321,149</u>	<u>\$ 793,564</u>
 <b>OPERATING EXPENSES:</b>		
Selling - - - - -	\$ 546,110	\$ 661,526
General and administrative - - - - -	392,298	248,557
Financial expense - - - - -	39,033	27,325
Product development costs - - - - -	14,560	51,870
	<u>\$ 992,001</u>	<u>\$ 989,278</u>
Income (loss) from operations before income taxes - - - - -	\$ 329,148	\$ (195,714)
 <b>PROVISION FOR INCOME TAXES</b> (Note 6) - - - - -	 158,757	 —
Income (loss) before including subsidiaries not consolidated - - - - -	 <u>\$ 170,391</u>	 <u>\$ (195,714)</u>
 <b>INCOME (LOSS) OF SUBSIDIARIES NOT CONSOLIDATED ABOVE</b> (Note 1)	 (29,040)	 36,712
Income (loss) for year before extraordinary items - - - - -	<u>\$ 141,351</u>	<u>\$ (159,002)</u>
 <b>EXTRAORDINARY ITEMS:</b>		
Reduction in income tax provision due to loss carry-forward from prior years (Note 6) - - - - -	\$ 46,889	\$ —
Gain on sale of subsidiary's operating assets, net of income tax of \$10,000 (Note 1) - - - - -	12,658	—
Non-recurring expenses, net - - - - -	—	(65,304)
	<u>\$ 59,547</u>	<u>\$ (65,304)</u>
Net income (loss) for the year - - - - -	<u>\$ 200,898</u>	<u>\$ (224,306)</u>

*The accompanying notes to financial statements form an integral part of these statements.*



**COMMODORE BUSINESS MACHINES (CANADA) LIMITED**  
and its wholly-owned Subsidiaries

## Consolidated Statements of Surplus

for the years ended June 30, 1968 and 1967

	RETAINED EARNINGS	1968	1967 (Note 3)
<b>Balance, Beginning of Year:</b>			
As previously reported	- - - - -	\$ 224,307	\$ 448,613
Adjustments to prior years (Note 2)	- - - - -	158,484	158,484
As adjusted	- - - - -	\$ 65,823	\$ 290,129
Net income (loss) for the year	- - - - -	200,898	(224,306)
Transfer from appraisal surplus	- - - - -	63,161	—
<b>Balance, End of Year</b>	- - - - -	<u>\$ 329,882</u>	<u>\$ 65,823</u>
	<b>CONTRIBUTED SURPLUS</b>		
<b>No Change During the Years</b>	- - - - -	<u>\$ 245,168</u>	<u>\$ 245,168</u>
	<b>APPRAISAL SURPLUS</b>		
<b>Balance, Beginning of Year</b>	- - - - -	\$ 63,161	\$ 63,161
Transfer to retained earnings; amount was realized through sale of land in 1968 (Note 7)	- - - - -	63,161	—
<b>Balance, End of Year</b>	- - - - -	<u>\$ —</u>	<u>\$ 63,161</u>

## Consolidated Statements of Source and Application of Funds

for the years ended June 30, 1968 and 1967

	1968	1967 (Note 3)
<b>WORKING CAPITAL, BEGINNING OF YEAR</b>	<u>\$1,390,533</u>	<u>\$1,589,937</u>
<b>SOURCE OF FUNDS:</b>		
From operations —		
Net income for year	\$ 200,898	\$ —
Add — Non-cash charge — Depreciation and amortization	74,234	—
	<u>\$ 275,132</u>	<u>\$ —</u>
Sale of plant and equipment	180,763	4,725
Sale of common stock for cash pursuant to options	124,337	—
Increase in long-term liabilities	—	3,776
	<u>\$ 580,232</u>	<u>\$ 8,501</u>
<b>APPLICATION OF FUNDS:</b>		
To operations —		
Net loss for the year	\$ —	\$ 224,306
Less — Non-cash charge — Depreciation and amortization	—	76,610
	<u>\$ —</u>	<u>\$ 147,696</u>
Purchase of plant and equipment	99,992	60,209
Decrease in long-term liabilities	75,016	—
	<u>\$ 175,008</u>	<u>\$ 207,905</u>
Increase (decrease) in working capital	<u>\$ 405,224</u>	<u>\$ (199,404)</u>
<b>WORKING CAPITAL, END OF YEAR</b>	<u>\$1,795,757</u>	<u>\$1,390,533</u>

*The accompanying notes to financial statements form an integral part of these statements.*

**COMMODORE BUSINESS MACHINES (CANADA) LIMITED**  
and its wholly-owned Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 1968 and 1967

### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of the Company and its wholly-owned subsidiaries:

**Belpree Company Limited** — *Toronto, Ontario*

**Associated Tool and Manufacturing Company Limited** — *Toronto, Ontario*

**Commodore Drycopy Limited** — *Toronto, Ontario*

**Commodore International Limited** — *Nassau, Bahamas*

**Commodore, S.A.** — *Geneva, Switzerland*

**Commodore Business Machines, Inc.** — *New York, N.Y.*

**Pearlsound Distributors Limited** — *Toronto, Ontario*

**Shelburne Tool Company Limited** — *Toronto, Ontario*

The operations of two of the above subsidiaries are no longer conducted by the Commodore group. One of the subsidiaries, Pearlsound Distributors Limited, discontinued its operations during 1968. The other subsidiary, Associated Tool and Manufacturing Company Limited, sold its net operating assets and business to Mr. Manfred Kapp, a former Vice-President, under an agreement dated July 3, 1968; this sale has been reflected in the financial statements for the year ended June 30, 1968.

In order to disclose the consolidated Commodore operations as presently constituted, sales and expenses of Pearlsound and Associated Tool have been excluded from the consolidated statements of income, and only their combined net income (loss) for each of the years ended June 30, 1968 and 1967 has been shown on the consolidated statement of income.

Principal operating figures of Pearlsound and Associated for the two years were as follows:

	<u>1968</u>	<u>1967</u>
Net sales (including intercompany) - - - - -	\$565,366	\$782,318
Income tax (provision) recovery - - - - -	\$ 10,000	\$ (14,209)
Net income (loss) for the year - - - - -	\$ (29,040)	\$ 36,712

For the purposes of consolidation, the current assets and all liabilities of the foreign subsidiaries have been converted at the rate of exchange prevailing at the balance sheet dates, and expenses and revenues at the average rate of exchange for the year. The fixed assets have been converted at the rate of exchange prevailing at the time of acquisition.

### 2. PRIOR YEARS' ADJUSTMENTS

In the year ended June 30, 1968, adjustments were recorded to reflect transactions directly related to business activities of fiscal years prior to the year ended June 30, 1967. Accordingly, the balance of Retained Earnings as of June 30, 1967 and 1966 has been retroactively adjusted to reflect these transactions:

Reduction in U.S. income taxes recoverable (as described in Note 6) - - - -	\$147,783
Canadian income tax assessments relating to years prior to 1967 - - - - -	39,143
Adjustment to selling price of German subsidiary disposed of in 1966 - - - -	21,500
	<u>\$208,426</u>
Provision for liabilities made in 1965, no longer required - - - - -	49,942
	<u>\$158,484</u>



# COMMODORE BUSINESS MACHINES (CANADA) LIMITED

## and its wholly-owned Subsidiaries

### 3. 1967 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of June 30, 1967, and the consolidated statements of income, surplus and source and application of funds for the year then ended, which are presented for comparative purposes, were examined and reported on by chartered accountants other than Arthur Andersen & Co.

Certain reclassifications have been made to the 1967 consolidated financial statements to conform with revised 1968 classifications. In addition, the 1967 consolidated financial statements have been revised where necessary to reflect the change in consolidation practice (described in Note 1) and the prior year adjustments (described in Note 2).

### 4. TIME DEPOSITS

The amount of \$435,750 represents funds held in a Swiss bank as of June 30, 1968. Use of these funds is restricted to payment of specific obligations to suppliers of merchandise.

### 5. ADVANCES FROM FINANCE COMPANIES

The advances are secured by trade accounts receivable. Of the advances outstanding at June 30, 1968, \$269,812 is payable to a company in which the family of a director has a substantial int

### 6. INCOME TAXES RECOVERABLE

#### (a) U.S. Subsidiary —

The Company's U.S. subsidiary has incurred substantial losses in prior years. A portion of the estimated tax benefit of the losses was recorded as Income Taxes Recoverable through carry-back to fiscal years 1962 through 1964. The Internal Revenue Service is contesting this claim for refund and has proposed substantial disallowances for fiscal years 1963 and 1964. An examination of fiscal year 1965 is presently in progress but no report has been submitted to the Company. Conversations with the Examining Agent indicate he is questioning a number of items. The Company does not agree with the position of the Internal Revenue Service for the years under review and will contest all proposed deficiencies.

Management has deemed it prudent to reduce in 1968 the amount shown as Income Taxes Recoverable on the consolidated balance sheet by \$147,783 (see Note 2). It is the opinion of management that the pending examinations will not result in further adverse adjustment to the subsidiary's income tax position.

#### (b) Canadian —

Income taxes otherwise payable for fiscal 1968 of \$46,889 were eliminated by carry-forward of prior years' losses.

Losses of approximately \$570,000 remain available as of June 30, 1968, for elimination of future income taxes. Of this amount \$310,000 expires in 1970, and the remainder approximately equally in each of the ensuing three years.

### 7. LAND AND BUILDINGS

The balance of \$146,367 at June 30, 1967, included an appraisal surplus on land of \$63,161, which was realized in 1968 through sale of the property.

At June 30, 1968, virtually all of the premises utilized by the Company and its subsidiaries were occupied under long-term leases. Aggregate annual rental commitments are approximately \$65,000 through 1972, and \$38,000 through 1984.

### 8. CAPITAL STOCK OPTIONS

The following shares have been reserved:

- (a) For the exercise of share purchase warrants which entitle the holders thereof to purchase fully-paid, non-assessable common shares at the exercise price on or before the date at which the warrants become void:

<u>Series</u>	<u>Void After</u>	<u>Warrants Issued</u>	<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Shares Reserved</u>
"A"	Nov. 1, 1974	200,000	\$4.50	199,200	
"B"	May 1, 1975	120,000	5.50	120,000	
"C"	Apr. 1, 1976	120,000	5.50	120,000	439,200

[illegible][illegible]







**commodore**